

**AUDIT REPORT OF  
BARREN COUNTY  
SHERIFF'S SETTLEMENT-2005 TAXES**

**April 25, 2006**

**Donna Bouvier  
Certified Public Accountant**

**Member: American Institute of Certified Public Accountants  
Kentucky Society of Certified Public Accountants**

**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**BARREN COUNTY**  
**SHERIFF'S SETTLEMENT - 2005 TAXES**

**April 25, 2006**

I have completed the audit of the Sheriff's Settlement - 2005 Taxes for Barren County Sheriff as of April 25, 2006. I have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$16,856,887 for the districts for 2005 Taxes, retaining commissions of \$554,060 to operate the Sheriff's office. The Sheriff distributed taxes of \$16,296,440 to the districts for 2005 Taxes after refunds of \$5,226. The Sheriff owes an additional \$1,337 to the taxing districts and is due a refund of \$176 from one taxing district.

**Report Comment:**

- The Sheriff's Office Lacks Adequate Segregation Of Duties

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities.

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To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
John R. Farris, Secretary  
Finance and Administration Cabinet  
Honorable Davie Greer, Barren County Judge/Executive  
Honorable Barney Jones, Barren County Sheriff  
Members of the Barren County Fiscal Court

Independent Auditor's Report

I have audited the Barren County Sheriff's Settlement - 2005 Taxes as of April 25, 2006. This tax settlement is the responsibility of the Barren County Sheriff. My responsibility is to express an opinion on this financial statement based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for Sheriff's Tax Settlements* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Barren County Sheriff's taxes charged, credited, and paid as of April 25, 2006, in conformity with the modified cash basis of accounting.

In accordance with *Government Auditing Standards*, I have issued a report dated September 27, 2006, on my consideration of the County Sheriff's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
John R. Farris, Secretary  
Finance and Administration Cabinet  
Honorable Davie Greer, Barren County Judge/Executive  
Honorable Barney Jones, Barren County Sheriff  
Members of the Barren County Fiscal Court

Based on the results of my audit, I have presented the accompanying comment and recommendation, included herein, which discussed the following report comment:

- The Sheriff's Office Lacks Adequate Segregation Of Duties

Respectfully submitted,

*Donna Bouvier*

Donna Bouvier  
Certified Public Accountant

September 27, 2006

BARREN COUNTY  
BARNEY JONES, SHERIFF  
SHERIFF'S SETTLEMENT - 2005 TAXES

April 25, 2006

<u>Charges</u>	County Taxes	Special Taxing Districts	School Taxes	State Taxes
Real Estate	\$ 2,041,574	\$ 813,297	\$ 8,589,994	\$ 1,954,029
Tangible Personal Property	277,642	110,257	1,080,509	766,430
Intangible Personal Property	-	-	-	295,975
Volunteer Fire Department Dues	-	281,100	-	-
Increases Through Exonerations	5,373	1,900	21,458	5,317
Franchise Corporation	173,368	56,429	658,266	-
Oil and Gas Property Taxes	915	320	3,585	875
Limestone, Sand, and Mineral Reserves	370	130	1,454	354
Bank Franchises	122,028	-	-	-
Penalties	12,831	7,955	53,444	13,261
Adjusted to Sheriff's Receipt	16	29	66	21
Gross Chargeable to Sheriff	⌘ \$ 2,634,117	⌘ \$ 1,271,417	⌘ \$ 10,408,776	⌘ \$ 3,036,262
<u>Credits</u>				
Discounts	\$ 38,591	\$ 18,437	\$ 150,757	\$ 47,017
Exonerations	3,139	1,402	12,653	4,304
Delinquents:				
Real Estate	29,024	20,759	120,136	27,753
Tangible Personal Property	655	291	2,595	1,614
Intangible Personal Property	-	-	-	94
Uncollected Franchise	2,827	950	10,687	-
Total Credits	⌘ \$ 74,236	⌘ \$ 41,839	⌘ \$ 296,828	⌘ \$ 80,782
Taxes Collected	⌘ \$ 2,559,881	⌘ \$ 1,229,578	\$ 10,111,948	⌘ \$ 2,955,480
Less: Commissions *	109,082	41,005	278,078	125,895
Taxes Due	\$ 2,450,799	\$ 1,188,573	\$ 9,833,870	\$ 2,829,585
Taxes Paid	2,449,866	1,188,063	9,829,754	2,828,757
Refunds (Current and Prior Year)	811	323	3,314	778
Due Districts as of				
Completion of Fieldwork	\$ 122	\$ 187	\$ 802	\$ 50
		**	***	

\*, \*\* and \*\*\* See Next Page.

The accompanying notes are an integral part of the financial statement.

BARREN COUNTY  
 BARNEY JONES, SHERIFF  
 SHERIFF'S SETTLEMENT - 2005 TAXES  
 April 25, 2006  
 (Continued)

\* Commissions:

10% on	\$ 15,000	\$ 1,500
4.25% on	6,458,413	274,482
2.75% on	10,111,948	278,078
0% on	271,526 (Note 7)	-
		<u>\$ 554,060</u>

\*\* Special Taxing Districts:

Library District	\$ 26
Extension District	16
Cave City	<u>145</u>
Due Districts or (Refund(s) Due Sheriff)	<u>\$ 187</u>

\*\*\* School Districts:

Barren County School District	\$ 714
Glasgow Independent School District	(176)
Caverna Independent School District	<u>264</u>
Due Districts or (Refund(s) Due Sheriff)	<u>\$ 802</u>

The accompanying notes are an integral part of the financial statement.

## NOTES TO FINANCIAL STATEMENT



BARREN COUNTY  
NOTES TO FINANCIAL STATEMENT  
SHERIFF'S SETTLEMENT – 2005 TAXES

April 25, 2006

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

BARREN COUNTY  
NOTES TO FINANCIAL STATEMENT  
SHERIFF'S SETTLEMENT - 2005 TAXES  
April 25, 2006  
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk –Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of April 25, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2005. Property taxes were billed to finance governmental services for the year ended June 30, 2006. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 1, 2005, through April 25, 2006.

Note 4. Interest Income

The Barren County Sheriff earned \$22,625 as interest income on 2005 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was turned over to the fiscal court as part of monthly excess fees.

Note 5. Sheriff's 10% Add-On Fee

The Barren County Sheriff collected \$62,412 of 10% add-on fees allowed by KRS 134.430(3). This amount was turned over to the fiscal court as part of monthly excess fees.

Note 6. Advertising Costs And Fees

The Barren County Sheriff collected \$2,650 of advertising costs and advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs and the advertising fees to his fee account. Since the Sheriff is fee pooling, these amounts were distributed to the fiscal court as part of monthly excess fees.

Note 7. Volunteer Fire Department Annual Membership Charges

The Barren County Fiscal Court passed an ordinance April 1, 2003, that does not allow the Sheriff to collect an administrative fee or commission on the collection of volunteer fire department annual membership charges after the first year of collections.

COMMENT AND RECOMMENDATION

BARREN COUNTY  
BARNEY JONES, SHERIFF  
COMMENT AND RECOMMENDATION  
SHERIFF'S SETTLEMENT – 2005 TAXES

April 25, 2006

INTERNAL CONTROL – REPORTABLE CONDITION AND MATERIAL WEAKNESS:

The Sheriff's Office Lacks Adequate Segregation Of Duties

I recognize the extent of segregation of duties is a judgment established by management. I also recognize this judgment is affected by certain circumstances beyond the elected official's control, such as functions prescribed by statutes and regulations and by budgetary constraints. I recommend the Sheriff implement the compensating controls noted below to offset the internal control weakness.

- The Sheriff could periodically compare a daily bank deposit to the daily checkout sheet and then compare the daily checkout sheet to the receipts ledger. Any differences should be reconciled. The Sheriff could document this by initialing the bank deposit, daily checkout sheet and receipts ledger.
- The Sheriff could compare the monthly tax distribution reports to receipts ledger for accuracy. Any differences should be reconciled. The Sheriff could document this by initialing the monthly tax distribution report.
- The Sheriff could periodically compare payments to taxing districts with checks. The Sheriff could document this by initialing the monthly tax distribution reports, noting that payment amounts were agreed to checks.
- The Sheriff could periodically compare bank reconciliation to the bank balance in the checkbook. Any differences should be reconciled. The Sheriff could document this by initialing the bank reconciliation and the balance in the checkbook.

*Sheriff's Response: None.*

Prior Year Finding:

The prior year audit report had Lacks Adequate Segregation of Duties as a reportable condition and material weakness. As noted above, this reportable condition and material weakness has not been corrected.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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To the Honorable Davie Greer, Barren County Judge/Executive  
Honorable Barney Jones, Barren County Sheriff  
Members of the Barren County Fiscal Court

**Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With *Government Auditing Standards***

I have audited the Barren County Sheriff's Settlement - 2005 Taxes as of April 25, 2006, and have issued my report thereon dated September 27, 2006. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Barren County Sheriff's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the accompanying comment and recommendation.

- The Sheriff's Office Lacks Adequate Segregation Of Duties

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe the reportable condition described above is a material weakness.

Report On Internal Control Over Financial Reporting  
And On Compliance and Other Matters Based On An Audit  
Of The Financial Statement Performed In Accordance With  
*Government Auditing Standards*  
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Barren County Sheriff's Settlement -2005 Taxes as of April 25, 2006, is free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

Donna Bouvier

Donna Bouvier  
Certified Public Accountant

September 27, 2006